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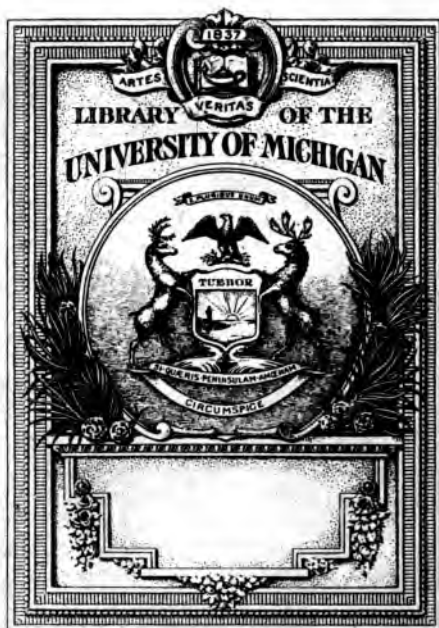
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# THE EXPRESS COMPANIES OF THE UNITED STATES

A Study of a Public Utility

By

BERT BENEDICT

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Price 10 Cents

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Published by

**THE INTERCOLLEGIATE SOCIALIST SOCIETY**

70 Fifth Avenue, New York City

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1919

## **FOREWORD**

The Intercollegiate Socialist Society takes pleasure in presenting to the public this careful monograph of Mr. Bertram Benedict on the important subject of "The Express Companies of the United States." The pamphlet is particularly timely in these days when the nation is endeavoring to formulate its policy regarding the future control of the express business.

It is, moreover, the first concise and scholarly analysis of the express service in America that has appeared in recent years and is a distinct contribution to the literature on the subject. The author herein presents a vivid, bird's-eye view of the development of the express companies from the days of the stage-driver up to the present time. He portrays the rapid consolidation of express systems, their integration with the great railroads, their remarkable enlargement of activities, the growing competition of the parcel post with the private express systems and the increasing governmental regulation over this utility.

This survey is followed by an analysis of the present status of the express companies, and a discussion of express profits. The relative service rendered by express and parcel-post is then dealt with, and the reader is treated to an illuminating discussion of the probable savings accruing from government ownership and management of the express industry, particularly as a result of consolidation of equipment, agencies, offices, etc.

In conclusion, Mr. Benedict deals with various methods whereby the government may take over the express companies, tells of the present status of the companies as a result of the war, and gives us a glimpse into future developments. The author reaches the conclusion that the express service should be a public agency and that it should be closely connected with the post office department rather than with the railroad administration. The pamphlet as well explains the manner in which European countries have handled this problem and presents a complete bibliography on the general topic. The author throughout gives a wealth of accurate information concerning the express system in all of its manifold relationships.

The pamphlet is one of a series planned by the Intercollegiate Socialist Society on various phases of public ownership and democratic management.

HARRY W. LAIDLER.

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## INTRODUCTION\*

### THE CHARACTER OF EXPRESS SERVICE

The express companies of the United States are unique organisms, and have no counterparts in any country outside of North America. In Europe, their services are performed by the parcel-posts or by the railroads themselves, often in conjunction with collecting and delivering companies.

The express company in the United States collects from the shipper the matter to be sent by express and delivers it to the consignee. The charge for expressage may be either paid by shipper or collected from the consignee. The transportation between different points is generally furnished by the railroads, although steamship and stage lines are also used to a slight extent; and the charge for this transportation, as well as the charges for collection and delivery, are included within the one fee levied by the express company. This one fee also automatically includes insurance up to fifty dollars, there being additional fees for additional insurance, to the amount of which there is practically no limit. The goods shipped are sent in express cars attached to passenger trains or on special express trains maintaining the speed of passenger trains. Because of the speedy transportation thus afforded, merchandise large enough to be sent as freight, such as machinery and live stock, is often forwarded by express; but by far the greater part of express traffic in normal times is composed of articles weighing less than one hundred pounds. The larger companies conduct their activities in foreign lands as well as in the United States; and in addition perform a number of subsidiary activities not connected directly with the transportation of merchandise.

The author wishes to acknowledge his indebtedness to the studies of Mr. David J. Lewis, the one man in official public life in the United States during the last decade adequately to realize the need for investigation and agitation in the field of a Government express service.

B. B.

January 25, 1919.



## **ORIGIN AND DEVELOPMENT**

The development of the express business in the United States serves perhaps as admirably as the development of any other single public utility to hold up the mirror to the economic ideology which prevailed among the American people up to August 1, 1914.

The origin of the express business in this country is usually assigned to 1839, but the Davenport and Mason Company claims to trace its beginnings back to 1836. In July of that year, a railroad was opened between Boston and Taunton, Massachusetts, a distance of 36 miles; and with its opening Charles Davenport and N. S. Mason delivered valuables and small packages to customers at those two towns. Even before this time, however, the picturesque and half-legendary stage-driver had often called for, transported and delivered articles entrusted to him for persons living along or near his route. Similar service had been frequently rendered also by steamboat captains and even by the conductors on the first railroads, often, if not usually, as an unremunerated personal favor. A. L. Stimson, one of the early expressmen and the author of the most comprehensive history of the express business in the United States, states that the need for some form of transportation by express was so intense before 1840 that a person could hardly make a trip between two cities without being deluged with requests to deliver parcels, and that these requests would come not only from friends and acquaintances, but even from total strangers.

### **THE VENTURES OF HARNDEN, ADAMS, WELLS AND FARGO**

The first reliable and extensive express service, however, does date from 1839. In that year, William F. Harnden grasped the need for, and chance of profit in, the delivery of valuable parcels between Boston and New York and to that end made a contract for his personal transportation on the Boston and Providence Railroad—the first express contract in the United States. Harnden made four trips weekly, by rail to Providence and thence to New York by boat; and carried the expressed articles in a hand satchel. But within several months the business outgrew that humble forerunner of the modern express car, and he was compelled to hire additional express messengers, to set up offices, and to arrange for special space on trains.



So successful was Harnden's venture and so serviceable that he soon found himself confronted by many imitators and competitors. In 1840, Alvin Adams entered the New England-New York field, thus becoming the founder of the present Adams Express Company; and later in the same year Harnden extended his business to Philadelphia. In the following year, Henry Wells and a partner established an express service between Albany and Buffalo. By 1845 express companies had sprung up on every hand. In the latter year Wells and William G. Fargo developed a company to cover territory, much of it railroadless, west of Buffalo; and very soon this service reached Chicago. Early in the fifties Wells and Fargo were delivering in California by the stage coach and pony express of song and story and motion picture, although it was not until 1869 that the first transcontinental railroad was completed. (The pre-occupation of the present Wells-Fargo Express Company with the western field is thus not fortuitous.) And by the early fifties also Adams and Company was beginning to tap the South.

### EXPRESS COMBINATIONS

In 1850, Wells and Company, Livingston and Company, and Butterfield, Wasson and Company so far violated the contemporaneously sancro-sanct belief in the greater efficiency of the competitive system and the contemporaneously pseudo-religious authority of the whole principle of competition as to combine into one large corporation, the American Express Company. Later, Wells, Fargo and Company organized as a joint stock company with a capital of \$300,000. The year 1854 saw the consolidation of Adams and Company, Harnden and Company, Thompson and Company, and Kingsley and Company into the Adams Express Company, and in the same year the United States Express Company was organized. The origin of the Southern Express Company dates from 1886—it is controlled by and is recognized as a part of the Adams Express Company. These four express companies continued through the nineteenth century and into the twentieth as the four great branches of the express service system of the United States. It is true that there existed by their side a number of other companies, but the latter were subsidiary, local and comparatively unimportant. The fields of activities of these four great national systems were as follows: *Adams-Southern*—the East, middle West, and several western routes, and the South; *American*—the East, middle West and trans-Mississippi; *United States*—the East outside of New England and the middle West, with several western routes; and *Wells-Fargo*—the

far West and the Southwest, with several eastern routes. But there have long been complete understanding and gentlemen's agreements among the separate companies; and for practical purposes they formed, not four units of competition for the express business of the country, but four branches of one organization. Several Canadian companies also do business in the United States.

### **LACK OF REGULATION**

During the sixty years from the inception of these private express companies in the United States to the dawn of the twentieth century, the rendering of this express service, of vital significance to the economic needs of the United States and of vital potential significance to the social needs of the people of the United States, was relegated without whimper to unchecked private agencies. Although the last thirty years of the nineteenth century saw the development of the United States into a complex and extensively specialized industrial mechanism—with a growing dependence of each geographical division of the country upon every other geographical division and of each economic unit upon every other economic unit—the country seems never to have suspected that it might well claim authority over so important a link in its industrial integration as the transportation and delivery of all merchandise too small or too valuable to be transferred and delivered as freight. There sprang into being during this period only some futile and spasmodic attempts at state regulation. By 1871, Germany had developed its remarkable Government express service, which later was classified into passenger and fast freight divisions, with corresponding variation in costs. In Great Britain, agitation for developing the express business as a part of the postal system had resulted in the establishment of a Government parcel-post as early as 1883. By 1892, the French Government was conducting an express business, selling the transportation of parcels both large and small to the French people without yielding profit to any owners of stocks and bonds, but imposing charges just high enough to meet the cost of the system; and developed, like our own rural free delivery, with an eye primarily to the service of the people, not to the profit-and-loss balance-sheet. But who were these countries that the United States could learn anything from them? The United States was the land of opportunity, and if gentlemen of affairs had been skilful enough to corral under their control the express business of the land, we most emphatically refused to thwart their opportunity for making the most of their foresight. We suggested jail for the agitator who

insisted that the country owed the poor man a living, but the keystone of our economic creed was a faith that we owed the rich man a living. We weren't interested in what was serviceable as such to the people as a whole—we believed in the divine right of private enterprise of the economically capable. Were the express companies enforcing exorbitant rates? *Private enterprise*. Did they discriminate against certain shippers? *Private enterprise*. Did express profits represent a small amount of traffic at a high profit instead of a large amount of traffic at a low profit? *The freedom of private enterprise*. Was the cost of expressing a package unduly high because of the costliness of frequently transferring it into the hands of five separate companies? *Private enterprise*. Could the Government do the business more satisfactorily, more cheaply and more extensively, and thus reduce the cost of many commodities to their consumers? *The holiness of and the necessity for the untrammelled right of private enterprise*.

Accordingly, it was not until 1890 that even any accurate and reliable figures of the quantity and quality of the express service of the country were available for purposes of mere study and investigation. Within the census of that year, the express companies happened to be included—a survey being made of their operations for the fiscal year ending June 30, 1890; and thus for the first time and after fifty years the American people were able to get some information on the operations of the private agencies to whom the express service of the land had been entrusted. It is true that the act of Congress authorizing the census of 1880 had contained a provision for the collection of statistics of the express companies, and that a schedule of inquiry directed toward that end had been formulated and distributed. Only two of the eighteen companies in existence, however, replied to it. The others maintained that the census law had no authority over their vested interests, and declined to make a report. The Census Office in 1880 actually reacted to this attitude by courteously abandoning its legally-authorized investigation, and contenting itself with publishing merely some information on the contracts between the express companies and the railroads. And, although the 1890 Census went so far as to publish the expenditures of the express companies, it very naively declined to report upon their receipts.

## AUXILIARY FUNCTIONS OF EXPRESS COMPANIES

By 1890, moreover, the express companies had developed and at the present time are performing certain functions which are secondary to or even independent of the express business

proper. These functions for the greater part parallel at the present time similar functions performed by the national government or by other agencies. These adjunct and independent functions are:

1—The issue of money orders, letters of credit, travelers' checks, etc., payable through express company agents and correspondents over well-nigh the entire civilized world.

2—The purchase for customers of goods in any locality in which an express office is located.

3—The sale for their customers of goods in any locality in which an express is located.

4—Miscellaneous services, such as filing legal documents, redeeming pawned articles, selling exchange, entering and clearing articles of import and export at customs houses, paying bills, and, in short, attending to any business which can be readily performed by an agent for a customer.

## THE 1890 CENSUS

Remembering, then, these secondary as well as the primary aspects of the express business, the students of the 1890 Census on Express Companies would have learned the following facts:

Number of companies .....	18
Total mileage operated .....	174,535
Total on Railroads .....	160,122
Total on Water Lines .....	10,822
Total on Stage Lines .....	3,055
Value of Equipment and Fixtures .....	\$5,074,045
Expenditures .....	\$45,783,123
Receipts .....	Not reported
Number of employees .....	45,718
Number of Money Orders Issued .....	4,598,567
Number of packages carried by Express .....	115,377,112
Paid to Railroads, Steamboats, and Stage Lines for transportation .....	\$19,561,182

Of the total mileage operated, as shown below, 92.7% was operated by the five leading companies listed above and the Pacific Express Company. The latter, organized in 1879, was owned and directed by the Gould group of railroads (the Union Pacific, Missouri Pacific and Wabash Lines); its business was taken over in 1911 by the Wells-Fargo Company.

Total mileage operated .....	174,535
Adams Express Company .....	24,919
American Express Company .....	43,126
Pacific Express Company .....	21,332
Southern Express Company .....	21,714
United States Express Company .....	21,479
Wells-Fargo Express Company .....	29,098

These six companies also carried 92% of the parcels carried by express, as follows:

Total number of packages.....	115,377,112
Adams Express Company.....	26,456,382
American Express Company.....	23,871,251
Pacific Express Company.....	7,552,622
Southern Express Company.....	7,552,622
United States Express Company.....	17,039,844
Wells-Fargo Express Company.....	22,658,384

The unquestioning devotion of the American public of 1890 to the principles of private enterprise is attested by the fact that there was no further census, and hence no further reliable information about the express companies, until 1907. It is true that the express companies were included in a Census Report on Transportation in 1894, but this survey could hardly be considered comprehensive.

## THE EXPRESS COMPANIES AND THE RAILROADS

Until the twentieth century, then, the express companies remained unchallenged and even uninvestigated in their control of the service of transporting packages and parcels weighing more than four pounds. (Packages and parcels up to four pounds in weight could be sent by mail.) In ownership and control as well as in the nature of their activities, they were linked with the great railroad systems; and there was in addition an extensive amount of interownership between the various express companies. When the 1907 (the second) Census report on express companies was published, it was found that of the \$68,853,200 capitalization of the seventeen important express companies, \$20,668,000, or 30%, was in the hands of the railroads as such. [The express companies as such had reciprocated by buying and holding the stock of railroad companies to the amount of \$22,218,950 and railroad bonds to the amount of \$12,324,000.] Moreover, of the \$68,853,200 capitalization of the express companies, \$11,618,125, or 17%, was held among the various express companies as such. How much of the remaining 53% of the capitalization of the express companies was held by individuals interested in the railroad holdings and control cannot be told, but may certainly be surmised.

It is therefore not surprising to find that in 1909 of the seven directors of the Adams Express Company, four were directors of railroad companies; of the nine directors of the American Express Company, three; of the seven of the Pacific Express Company, six; of the seven of the United States Express Company, two; and of the thirteen of the Wells-Fargo Company, ten. In 1918, more than half of the directors of the four large

express companies were also directors of railroads. The explanation of the willingness of the railroad companies not to disturb the express companies in their exclusive exploitation of the express service field is hence not difficult to find. Even those few of the directors who were not directors in railway systems were nevertheless also of that group of controllers of industry which was responsible for the sinister connection between American politics and American big business which for so many years had prostituted the promise of American life. Furthermore, whatever few regulations could be applied generally to corporations as such had little effect upon the express companies; for the Wells-Fargo and the Southern were, and up to the present time are, the only large companies which have the corporation structure. The other three maintain their early status as limited partnerships of a fixed number of shares without fixed par value, although the Adams Express Company, on December 15, 1913, assigned a par value of \$100 to each of its 120,000 shares outstanding, giving it a capitalization of \$12,000,000.

Of no less wisdom than cynicism accordingly was the remark of a prominent American statesman when propaganda for the establishment of a parcel-post had finally begun to rear its defiant head: "There are four reasons why the parcel-post cannot be established in the United States," with the explanation, when pressed for details: "The four reasons are: (1) The Adams Express Company; (2) the Wells-Fargo Express Company; (3) The American Express Company; and (4) The United States Express Company."

## REGULATION

By the twentieth century, however, the hypnotic spell of the private enterprise creed over at least the middle and lower economic classes was beginning to weaken. The American public was developing a sullen and by no means silent antipathy—in some sections seemingly congenital—to the great national corporations. The storm had burst first upon the railroads; and when in 1906 the Hepburn Act gave the Interstate Commerce Commission definitely increased powers over the railroads, with commendable logic the express companies were coupled with the railroads in the scope of the law. All express tariffs had to be filed with the Commission. No change could be made in a tariff except after thirty days' notice. A uniform system of accounts could be and soon was ordered by the Commission. The Commission was given access to all the books and records of the companies. And, of especial

significance, upon complaint express rates could be fixed by the Commission, subject to review by Federal courts.

The Mann-Elkins Act of 1910 went even further. Among its other provisions, the burden of proof on rates was shifted to the express companies and the Commission was given power to initiate, of its own volition, express rate rulings which not much later became subject to review only by the Supreme Court of the United States. Power over the classification of express traffic was also specifically given to the Commission. The Commission immediately utilized its new powers to inaugurate a searching investigation of every aspect of the express business, with the result that on February 1, 1914, there went into effect a reduction in rates amounting to an average decrease of about 16%, together with a new system for calculating such rates, the country being divided for that purpose into five zones. The newly prescribed rates were stated and arranged after a fashion simple enough to be readily understood by any tyro. All direct and indirect rebates were abolished. Articles of food were to go at three-fourths the new rates. The classification of merchandise was radically simplified. (Already in 1913, a further act of Congress had made discrimination against shippers a criminal offense punishable by fine or imprisonment.)

## **PARCEL-POST**

But the hardest blow to the express companies had been delivered on August 24, 1912. On that day, after years of agitation, a bill providing for a parcel-post in the United States became the law of the land; and the parcel-post system went into effect on January 1, 1913. Congressman David J. Lewis conducted a staunch campaign to have a postal express provision included in the new law, but unsuccessfully; and the weight limit of the parcels which could be sent through the post office was fixed at eleven pounds. Nevertheless, the United States Express Company saw the handwriting on the wall, and in that year decided to wind up its business, ceasing operations on June 30, 1914.

The detailed history of the development of the parcel-post in the United States, closely related as are the parcel-post and express problems, is not pertinent to this study. It is sufficient to point out that more and more the parcel-post has been broadened so as to include much of what was the express companies' field. At the present time, the weight limit is 70 lbs. for a distance up to 300 miles and 50 lbs. for greater distances. Packages may be sent collect on delivery up to \$100, and

they may be insured up to \$100. There are separate fees for those two latter services up to ten cents, which amount covers both a collection on delivery of \$100 and insurance of \$100. A receipt is given for the uninsured pre-paid parcel for a fee of one cent. So that by January 1, 1918, the business of transporting goods too small or too valuable to be transported as freight was divided between two agencies in competition with each other—one of them governmental, one of them private.



## **THE PRESENT ACTIVITIES OF EXPRESS COMPANIES**

Before considering the problem thus presented to the mind—nor would it be inexact to add, to the conscience of every keenly-scrutinizing student of political and industrial phenomena in the United States—a resumé of the practically contemporaneous activities of the private express companies will be helpful. In the twelve months preceding January 1, 1918, the statistics of the eight express companies doing interstate business in the United States—the Adams, American, Canadian, Great Northern, Northern, Southern, Wells-Fargo and Western—were as follows:

Total Mileage .....	307,400
Railroad .....	257,408
Electric Line .....	8,802
Steamboat .....	39,995
Stage Line .....	1,195
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Total Mileage .....	307,400
Adams Express Company .....	48,602
American Express Company.....	73,289
Southern Express Company .....	34,918
Wells-Fargo and Company.....	115,521
All others .....	35,070
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Cost of Land, Buildings and Equipment on January 1, 1918 .....	\$44,160,773
Land and Buildings .....	20,811,830
Equipment .....	23,348,943
Inventory Value of Equipment owned on January 1, 1918 .....	\$13,735,058
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Total Express Charges.....	\$222,860,373
Other Operating Revenue.....	6,594,815
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Total .....	\$229,455,188
Operating and Other Expenses.....	\$229,639,493
<i>Deficit from Operating</i> .....	184,305
Other Income .....	4,471,292
Gross Income .....	4,286,987
Deductions from Gross Income.....	1,538,481
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Net Income .....	\$2,748,406
Dividends .....	2,508,044
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Profit and Loss Balance.....	\$24,294,792
Total Investment, Including Real Property and Equipment .....	\$123,484,515

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Capital Stock .....	\$59,008,600
Funded Debt Unmatured.....	20,736,500

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Money Orders Issued:

Number .....	16,035,002
Amount .....	\$145,934,982

C. O. D. Checks Issued:

Number .....	8,612,106
Amount .....	\$143,832,226

Limited and Unlimited Checks Issued:

Number .....	236,071
Amount .....	\$108,798,279

Telegraph and Cable Transfers:

Number .....	88,146
Amount .....	\$136,809,746

Travelers' Checks Issued:

Number .....	1,608,037
Amount .....	\$34,923,816

Letters of Credit Issued:<sup>1</sup>

Number .....	1,539
Amount .....	\$4,126,154

Revenue from the above six items and other sources, other than Express Charges.....	\$6,594,815
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Maintenance Expenses .....	\$6,527,766
Traffic Expenses .....	925,033
Transportation Expenses .....	\$98,583,724
(Employees' Wages) .....	(55,820,701)
General Expenses .....	7,684,534
(Salaries and Personal Expenses).....	(4,161,299)

<sup>1</sup>Including 569 Postal remittances to the amount of \$39,435, issued by the Canadian Express Company.

NOTE:—Of the above figures the Adams, American, Southern and Wells-Fargo Companies accounted for 89% of the mileage and for 94% of the total operating revenues.

One feature of the above figures stands out pre-eminent. With a capital stock of \$59,000,000 and a funded debt of \$21,000,000, the express companies performed express operations bringing in an annual revenue of \$223,000,000. (Of this latter sum, one-half went to the railroad, steamship and stage lines for transporting the packages entrusted to their care by the express companies.) On January 1, 1918, the cost of the land and buildings owned by the express companies was slightly more than \$20,000,000 and of the equipment slightly more than \$23,000,000. It is therefore immediately evident that the most valuable asset of the express companies is to be found, not in their tangible property, but in their contracts with the various railroad companies giving them the

exclusive right to have their packages transported by the railroads on passenger trains—in a sense, their charters.

### **PROFITS OF EXPRESS COMPANIES**

Previously to the regulation of express rates by the Interstate Commerce Commission and to the beginning of the parcel-post in this country, the profits of the express companies were undeniably swollen. By just how much they were unreasonably large, it is practically impossible to determine; although the Interstate Commerce Commission did on several occasions officially assert unduly large profits in the case of the Wells-Fargo Company.

As described above, three of the five leading companies had issued no stock at a fixed par value, but had distributed a certain number of shares of ownership. They had started in business with a limited equipment (Franklin K. Lane declares that it had not exceeded \$1,000,000 in value) and had purchased new equipment mostly from current profits. Some companies have capitalized their profits. Others have carried them along from year to year in a profit and loss account. By their contracts with the railroad companies, they have become practically a part of the railroad system, and hence whatever equipment and property they themselves possess have served up to the present time as little basis for determining their just profits. For instance, as the decision of the Interstate Commerce Commission's report of 1912 pointed out, some one company may invest money in certain equipment which another company hires. They both may make the same percentage of profit on the same amount of business, but in the first case the profit would loom small in comparison with the property of the company, whereas in the second case, it would loom unnaturally large. In other words, a charge on capital in the first case would be classified as an item of operating expense in the second.

And yet, despite all these considerations, the fact that from 1909 to 1912 the net profits of the companies were from 17% to 65% of the value of their properties, coupled with the common sense knowledge that in those years there was no inward or outward compulsion upon the directors of the companies to charge one cent less than the traffic would bear, makes it certain enough for practical purposes that the express companies' profits were unethically swollen.

Whatever the profits before 1913, however, they have sadly dwindled since, as the following figures of the Interstate Commerce Commission will indicate:

Fiscal Year	Operating Revenues	Operating Expenses	Net Operating Revenue
1909	\$132,599,191	\$120,305,182	\$12,294,009 or 9%
1910	\$146,116,316	\$131,608,035	\$14,508,281 or 10%
1911	\$152,612,880	\$141,025,251	\$11,587,629 or 8%
1912	\$160,121,933	\$151,831,956	\$8,289,977 or 5%
1913	\$168,880,923	\$163,088,205	\$5,792,718 or 3%
1914	\$158,891,327	\$157,128,012	\$1,763,255 or 1%
1915	\$148,994,960	\$145,037,555	\$3,957,415 or 3%
1916	\$179,206,649	\$167,063,210	\$12,143,439 or 6%
Calendar Year			
1916	\$196,137,768	\$185,523,071	\$10,614,727 or 5%
1917	\$229,455,188	\$227,256,116	\$2,199,072 or 1%
1918	.....	.....	\$5,579,601 <i>Deficit</i>
(First five months)			

NOTE:—In studying the above figures, it must be remembered that approximately one-half of the operating revenues are paid to the railroads for transportation, so that for practical purposes the ratio of the total operating revenue to the net operating revenue with respect to the direct business of the express companies—the collection of packages for the railroads and the delivery from the railroads—would be approximately twice the percentages in the above table.

## **GOVERNMENT POSTAL EXPRESS VS. PRIVATE EXPRESS COMPANIES**

At certain periods of each year, the Post Office Department takes a count of the packages mailed in the parcel-post, the postage collected on them, and their total weight. These periods of count are the first two weeks in April and the first two weeks in October. By multiplying their sum by 13, we can thus obtain a fairly accurate figure for the total number of parcels mailed within the year in 1917—roughly 1,120,000,000. On the other hand, the number of parcels carried in that year by the express companies may be put at 280,000,000. (Note 1.)

Accordingly in 1917 the number of parcels expressed in the United States was roughly as follows:

By Parcel-Post .....	1,120,000,000
By Express Companies.....	280,000,000

But in 1912, if the average express charge was the same as in 1909, and no reason is known why it should not have been, the number of parcels carried by the express companies was about 320,000,000. In that same year the number of parcels carried by the post office, under the four-pound limit, was 240,000,000. In other words, the effect of the entrance of the Government into what had been a field of private enterprise resulted within five years in an increase of more than 450% in the extent of the service rendered by the Government, whereas the express company's services to the public in that time actually decreased 12½%, although the extent of the total services rendered by the two combined agencies increased 250%.

Nor can the increase in the parcel-post business be explained by the assertion that the Government performs this business at a great loss. The balance sheet of the Post Office Department since 1912 has been as follows:

1912.....	\$1,781,435 deficit
1913.....	4,551,984 surplus
1914.....	4,390,796 surplus
1915.....	11,297,861 deficit
1916.....	5,853,655 surplus
1917.....	9,887,398 surplus

Now, it is obvious that the financial account of the entire

Post Office Department is composed of too many divergent elements for the financial account of the parcel-post alone to have any conclusive bearing upon it. But it is equally obvious that if so extensive and particularly so expensive a function of the Postal System as the parcel-post had been conducted at a considerable loss, the fact would be reflected, to some extent, at least, in a growing deficit of the Department as the parcels conveyed grew in number from 240,000,000 in 1912 to 1,120,000,000 in 1917. Nor have the railroads made good before the courts or before the Interstate Commerce Commission their contention that their recompense for carrying parcels is unfairly low.

### **COMPARISON WITH OTHER COUNTRIES**

Similar findings on the comparative value of the Government service and the private companies' service in the express fields may be obtained from another source. Up to January 1, 1913, outside of parcels weighing less than four pounds, the private express companies had unchallenged exploitation of the express service of the United States. How did the extent of our service in 1912 compare with the extent of the service in other lands in which our private express companies found no counterparts?

Obviously, there is no absolute basis for fruitful comparison. Greater distances, more sparsely settled territory, greater wealth, greater geographical specialization of function and hence greater need for integration between different sections, higher standards of living, more diversified demands—these are some of the features of the problem here as compared with the problem abroad which make an absolute comparison of express services valueless. But practically every feature of the express situation would affect also the freight traffic of the United States as compared with the freight traffic abroad. In other words, the express traffic of the United States before 1913 should have had the same ratio to the freight traffic of the United States as the express traffic of other lands to the freight traffic of other lands, in case the United States express companies were as efficient in comparison with foreign express agencies as the railroads of the United States in comparison with railroads.

In a hearing before a committee of Congress in 1912, Mr. David J. Lewis, then a congressman from Maryland, presented the evidence, which he had obtained from the original reports of the railways of the countries concerned:

<i>Country</i>	<i>Date</i>	<i>Pounds Freight Shipped Per Capita</i>	<i>Pounds Express Shipped Per Capita</i>	<i>Ratio Express Shipped to Freight</i>
Argentina .....	1909	10,680	165.4	1 to 64
Austria .....	1908	11,260	116.6	1 to 97
Belgium .....	1909	16,320	199	1 to 82
Germany .....	1909	15,980	140.4	1 to 113
France .....	1908	7,480	140.6	1 to 53
Hungary .....	1908	5,540	67.8	1 to 84
United States....	1909	16,300	99	1 to 165

In other words, the express facilities of the United States were used 50% less than in the country above showing the lowest development of express service and about 200% less than in the country showing the highest development of express service. When it is remembered that express is much quicker and more convenient than freight, although more expensive, and that the industrial processes of the United States have long been and still are characterized by a keener demand for speed and convenience, irrespective of cost, than the industrial processes of other countries, the above table becomes eloquent with significance.

With respect to the costs of the express service, the same basis for comparison may be used.

<i>Country</i>	<i>Date</i>	<i>Average Freight Charge Per Ton</i>	<i>Average Express Charge Per Ton</i>	<i>Ratio Freight Charges to Express Charges</i>
Argentina .....	1909	\$1.95	\$6.51	1 to 3.2
Austria .....	1908	.74	3.77	1 to 5
Belgium .....	1909	.53	4.92	1 to 9.3
France .....	1908	.95	6.88	1 to 7.2
Germany .....	1908	.76	3.80	1 to 5
Hungary .....	1908	.93	3.68	1 to 3.9
United States.....	1909	1.90	31.20	1 to 16.4

And yet the statesmen at Washington have disposed and doubtless will still endeavor to dispose of the proposal to have the Government own and manage the express service of the land by speeches on texts to the effect that the spirit of America demands individual freedom; that that is the best Government which governs the least; that incentive to productive endeavor is possible only in private establishments and completely disappears in the public service; to which will now doubtless be added the charge that such a proposal smacks of Socialism and that every red-blooded American understands that anything and everything Socialistic is undeniably un-American!

The implication of the above figures, however, is undeniable for the man who trusts thought as well as emotions. The Postal System has gone into the express field and, in competition with the express companies, by their respective showings, has in five years rendered to the American public far more valuable service than that rendered by the express companies. The opponents of Government ownership and management have been ruthlessly confuted. They predicted graft—there has been none. They prophesized inefficiency—the figures give them the lie. They foretold unwholesome political intrusions—whatever may be the unwholesome features of the present operations of our postal system, those operations are less unwholesomely attached to political influences than ever before. There is accordingly every reason *a priori* to assume that the Government would render more valuable service than that rendered by the express companies in the remaining section of the express field unoccupied by it and still occupied only by the express companies.

But there is no necessity for relying upon *a priori* reasoning. The results to be achieved by the consolidation of the express service of the land into the postal system of the land are definite and demonstrable.

### EXPRESS SERVICE VS. PARCEL-POST

Before defining and demonstrating the advantages of a Government postal express, however, it may be necessary to discuss more fully the features which differentiate at present the parcel-post from the express service.

They fall into two classes, (a) Special forms of service, and (b) Rates.

Under (a):

<i>Express Company</i>	<i>Parcel Post</i>
1. Collects the parcel free of charge.	1. ———
2. The fee includes insurance up to \$50 without charge; additional insurance up to any amount may be contracted for by special fees.	2. Special fees for all insurance — insurance limit, \$100.
3. All sizes and weights are accepted.	3. Weight limit—70 lbs. (300 miles), 50 lbs. (above 300 miles). Size limit — 84 inches, length and girth combined.



- |   |   |
|---|---|
| 4. Collects fee from consignee at destination free of charge. | 4. Collects fee from consignee at destination at a fee. |
| 5. Collects cost of article itself to any amount.             | 5. Collects cost of article up to \$100.                |
| 6. Buys articles for customers at a fee.                      | 6. ———  |
| 7. Sells articles for customers at a fee.                     | 7. ———  |

It will be immediately realized that some of the features of the express service which are not rendered at present by the parcel-post could be and should be rendered by the parcel-post for one fee without separate charges. On the other hand, it will be realized that some of these features should be rendered by the parcel-post only as separate privileges for which separate fees should be charged, as, for instance, the service of collecting parcels from the shipper. (Note 2.)

For instance, there seems to be no good reason for limits upon the size and weight of the packages in the parcel-post. These limits have steadily been expanded in the parcel-post system from its inception, and the process has so strikingly demolished whatever arguments for size and weight limits may have previously been considered that they no longer seem valid.

In Austria, Belgium, Denmark, Germany, Hungary, Norway, Rumania, the old Russia and Switzerland, packages weighing up to 110 pounds may be sent by parcel-post (and after 100 pounds the freight service of the railroads is readily available in the United States as elsewhere). In 1915 France and Italy imposed weight limits of 22 pounds. In Belgium, Germany, Hungary, Norway, Rumania and Sweden there is no size limit, except that in certain cases special fees are charged for unusually large sizes. In Italy, the limit is 24 inches in any one dimension, although in certain cases packages 41 inches long are accepted. The limit in Denmark is 39 inches in any dimension. In France, the limit is 60 inches in any direction. With no limits upon weight and size, the parcel-post might handle the problem of especially cumbersome articles whose size is disproportionately large for their weight by following the example of the express companies, charging a special rate twice as large as the normal rate. And as to shipments so bulky that especial transportation facilities are needed for them another page might be taken from the books of the express companies, and special pre-

liminary arrangements stipulated before such shipments are accepted.

Moreover, the experience of other countries proves that there is no insurmountable obstacle to removing the limit upon the amount for which a package may be insured. Merely, special provisions might be necessary, and perhaps an additional fee above the normal insurance fee charged, for articles such as jewelry, for which space in safes would have to be reserved, and for bullion, etc. The following countries seem to have no insurance limit: Austria, Denmark, Germany, Hungary, Portugal, Rumania, the old Russia, Sweden, Switzerland. The limit in France is \$1,000; in Italy, \$200. In addition, some countries give automatic indemnity without separate insurance fee, up to a small amount.

Similarly, now that the parcel-post experiments for small amounts have proved successful, the limit upon the amount collected from the consignee for the expressed article itself could be and should be either removed or greatly advanced, the fee for this service advancing with the amount collected. Nor does any cogent barrier present itself against a separate division in the parcel-post system to sell articles consigned to it, or even to buy them, the fee again synchronizing with the amount of the principal involved.

The features inherent in the express service and not now in the parcel-post, as the express service and the parcel-post now function, might be preserved by either of two methods. They might be added to the present parcel-post as separate features to be utilized only when especially desired and for which separate fees would be levied. Or else the Government postal express might be organized into two separate divisions—one for the services now rendered by the parcel-post, with possibly certain additional fees for certain secondary features, to be determined by experience in administration; and the other for the services now rendered by the express companies, except those proved by experience in administration to be homogeneous with the parcel post service proper, and hence properly adhering to the first division. Either the method of complete consolidation or the method of two divisions would meet the exigencies of the service—only the results of experience and experiment could award greater merit to one or the other.

The fact that these separate functions of the express service are of too great value and in too great demand to be eliminated is seen by a study of the relation of the express shipments and the parcel-post shipments to the express and the parcel-post rates, this constituting the second point of departure (b)

between the public method and the private method of transporting parcels. The differences between the express rates and the parcel-post rates may be graphically realized from a comparative table. As will be seen, the differences between the two sets of rates may be roughly summarized in one sentence—as a rule, the parcel-post rates are lower than the express rates for the shorter distances and the smaller parcels.

Accordingly, if the value of the service rendered by the two systems were nearly identical, the express company's shipments would be almost entirely of larger parcels and for the greater distances. But as a matter of fact it is generally known that a large proportion, a very large proportion, of the shipments sent by express are at weights and for distances at which the parcel-post rates are lower than the express rates, often decidedly lower. Only the need to a shipper of all, some, or any one of the above-discussed features of express service not duplicated at present in the parcel-post system can explain this situation. It is therefore imperative that the Government make provision for all these features in establishing a Government postal express.

## ***COST OF LIVING***

A moment's reflection is sufficient to show that a Government postal express would make express facilities available to a far greater number of persons than are served at present by the express companies. For the Government postman and the Government post office cover the country as a whole—the express companies operate only along railroad, electric, steamboat and stage-lines. Moreover, of these four media, 83.7% of the mileage is by railroad and only 2.9% by electric line, 13% by steamboat line, and 4/10 of 1% by stage-line.

All in all, the mileage covered by the express companies totals 307,400. On the other hand, the mileage covered by the postal system is 1,374,056. Of this amount, 1,112,556 represents the mileage of the rural routes alone, and the number of persons served by the rural routes in 1917 was more than 27,000,000. Of course, it is certain that not all of the persons along these more than one and a quarter million miles were deprived of the benefits of an express service, but it is equally certain that many of them were, and it is probable that the majority of them were.

But it is the extension of the express facilities to just that element of the population living off the railroads and on the rural post routes in which lie the greatest potential benefits that an express service can render to the nation. For, speaking by and large, most of this population is engaged in farming; and, conversely, possibly the majority of the producers of foodstuffs in the country live off the railroads and on the rural post routes. Now, it is stated on reliable authority that of each dollar expended by the consumer for food in New York City, for instance, the farmer gets only from thirty-five to fifty cents. In other words, at least 40% of the cost of food is represented by the cost of getting the products of the farm to the ultimate purchaser. The rôle thus played in the drama of the high cost of foodstuffs and the high cost of living generally is apparent. Equally apparent is the rôle which a simplification of or a reduction in the processes of getting food from the farm directly to the dinner table could play in lowering the cost of living.

But such a simplification and reduction are possible only to a Government postal express. At present the rural free delivery does make provision for sending farm products directly from the farmer to the consumer, but its efforts in this direction are still largely embryonic. For the machinery of the process must be constructed anew and the task of

construction is one of those tasks which cannot be hurried. On the other hand, the express companies have built up through the years an extensive and efficient machinery for "farm to table" transactions, but their services in this direction are hampered by the fact that the companies are limited on the whole to the territory adjacent to the railroad lines. The fertilization of the vast farming territory tapped by the post office by the express company facilities should give birth not many months after its consummation to the one most potent factor at present available to lower the retail cost of food-stuffs to an appreciable extent.

Under such an arrangement, a separate bureau would be established in the postal system, covering both the parcel-post and the postal express. This bureau would collect names of farmers—both those voluntarily resorting to it and those reached in its own canvasses—who would send their products collect on delivery to consumers. Similarly, lists of consumers desiring thus to be served would be collected. It would be no difficult matter for individuals on the two lists to get into touch with one another, and to deal directly through either the parcel-post or the postal express. Where they could not by their own arrangements get into touch with one another, the bureau's task would be to get them into touch. And where a farmer and a consumer could not even thus be brought into direct contact, the bureau would act as the agent for each—maintaining warehouses, if necessary, to which farmers would send goods to be sold at a stated minimum price and to which consumers would resort for their purchases. Since these functions are already performed to a slight extent by the express companies, there should be little question of the legality of such procedure by the Government. If necessary, additional legislation might be sought; nor after the activities of the Government during the Great War would there be much likelihood of such legislation being declared unconstitutional.

## ***ECONOMY IN OPERATION***

It has been seen that about 50% of the charges collected by the express companies for the transportation of packages go to the railroads, 50% remaining to the express companies. To be exact, in 1917 the sum of \$222,860,373 represented the collection charges by the express companies, of which \$113,535,059, or 51%, went to the railroads, leaving to the express companies from transportation, \$109,325,314. Revenues of the express companies from operations other than transportation brought their total revenues up to \$115,920,129. Their operating expenses were \$113,721,057. In other words, for every 10% by which Government operation of the express service might decrease the operating expenses of the express service, even if the present contracts with the railroads are assumed by the Government, there should be a saving in the amount of express rates assessed the public of no less than 5%.

Such savings seem inevitable under a Government postal express. Vast as is the extent of the parcel-post operations, there is no evidence that all or even most of its ramifications have yet reached that point of magnitude where the addition of new business means an increasing instead of a decreasing cost per unit. Let it be remembered that the parcel-post carried in 1917 some 1,120,000,000 parcels and the express companies some 280,000,000; so that, taking into account the secondary features of the express service not performed at present by the post office, the inclusion of the express service in the parcel post would increase the latter's activities not much more than 25%. Certainly, it may be fairly assumed that any such services in which the law of increasing costs per unit might hold would be at least counter-balanced by services in which the law of diminishing costs per unit would hold; so that we may consider the economies of a Government postal express absolutely instead of relatively.

## **CONSOLIDATION OF EQUIPMENT**

In the first place, the express companies require for their operations much the same kind of equipment as is required by the Post Office Department. Express cars and railway postal cars; horse-drawn express delivery wagons and horse-drawn post office delivery wagons; motor express trucks and motor post office trucks; express company horses and Post Office Department horses—all do similar work, along similar routes, in similar sections of similar cities at similar times of the day and under similar conditions. The economies possible

by consolidation are lessened only slightly by the fact that on the main railroad trunk routes express traffic is often carried by trains composed entirely of express cars, in which there can obviously be little saving by consolidation of the express system and the parcel-post. In passing, it should be noted that the railway mail cars are furnished by the railroads, and in most cases the trucks and wagons and automobiles used in transporting mail through a city render that service by contracts of the Post Office Department with their owners; so that the savings in consolidation would accrue indirectly by lower contract rates rather than directly.

Especially in smaller communities and in the thinly settled outskirts of larger communities can one wagon or one motor truck often render the service now requiring one express wagon or motor truck and one post office wagon or motor truck. On less crowded routes and on less crowded trips, one railroad car can often render the service now requiring an express car and a railway post office car. And on the crowded routes and in the thickly-populated cities, if one vehicle of transportation cannot render the service now requiring two, at least in many cases four such vehicles can render the service now requiring five. (Note 3.)

### **CONSOLIDATION OF AGENCIES**

In the second place, it has been seen that each of the express companies of the United States concentrates its activities upon a certain section of the country. That is to say, on many occasions a package traveling a long distance may be handled by two or three, or sometimes even four express companies before it reaches its destination. The wastes and superfluous costs therein are evident. There is not only the direct cost of unloading, transferring, and re-loading parcels from one express company to another—and at many points express offices and yards are the width of an entire city apart. There is also the cost of the complicated bookkeeping necessary to determine for what part of the journey of a package each express company has been responsible and accordingly to what share of the express charge each is entitled. That this cost is no mere creature of a brain hell-bent upon Government ownership is proved by the fact that of a total operating expense of \$113,721,057 in 1917, exactly \$32,272,795 or 30% was paid to office employees. As it stands, this is the largest single item of expense in the express business, nor does this sum include the salaries of the officers and general superintendents and minor managers, nor the salaries of their clerks and subordinates directly engaged in the managing and super-

intending aspects of the express business. A consolidation of the express companies of the country into one agency would end that large proportion of office work attendant upon the calculation of the pro rata returns to separate express companies, and upon the issue of separate receipts, waybills, etc., and would hence result in still further reduction of express rates.

### **CONSOLIDATION OF PERSONNEL**

But, in the third place, there are also to be considered the expenses represented by the employes not in the offices—those on the vehicles, around the stables and garages, and on the trains. Consolidation of the express service with the postal service would result in a consolidation, not only of equipment, but also of personnel. If one truck does the work of two trucks, or four trucks of five, two truck employees can do the work of four, or eight of ten. Where one railway car does the work of two, one railway car crew can do the work of two crews. That such saving would have a not altogether inconsiderable effect upon the operating expenses and hence upon the rates of the express companies is evident from the fact that the wages of vehicle, stable, garage and train employees amounted in 1917 to \$23,547,906, or 20% of the operating expenses of the express companies.

### **CONSOLIDATION OF OFFICES**

In the fourth place, there were in the United States in 1917 some 55,000 post offices. The number of express offices is not definitely known, but it is probably in the neighborhood of 40,000. The possibilities of saving by coöperation and consolidation here are again obvious, particularly when it is remembered that a large section of the activities of practically every post office is given over to handling packages mailed under the parcel-post. Especially in many smaller cities and towns, post offices could handle with little increased cost the business now requiring separate express offices in those localities. Where post office facilities are inadequate to handle the demand now being made upon them, the present express company offices might readily serve to save the cost of additional construction and facilities in the future. The amount of rental saved merely by the consolidation of many different express offices may be indicated by reference to the recent experience of the Railroad Administration in a parallel situation. Similarly, there is possible an extensive consolidation and economizing in stables and garages, office furniture and supplies.



## **THE POSTAGE STAMP**

In the fifth place, there is the saving represented in the very nature of the postage stamp itself, which can be sold and accepted for payment of charges only by the Post Office Department. Much of the expense of the express companies in issuing receipts, making statements, checking upon money received, etc., could be saved if the express parcels could proceed under a postage stamp.

## **MISCELLANEOUS SAVINGS**

Finally, there are the hosts of miscellaneous items of operating expenses in which we must be led to expect saving by all other experience in consolidating similar agencies performing similar services. Some of these expenses might even be eliminated entirely under Government ownership and control. Such are the cost of superintendence and auditing, insurance, the cost of securing traffic commissions, advertising and law expenses, to say nothing of the profits paid stockholders in normal years.

The amount of these savings can only be roughly surmised; but in 1912, Mr. David J. Lewis estimated that they would amount to at least 40% of the total operating expenses. In this connection, it may be remarked in passing that Mr. Lewis's qualifications for throwing light upon the express service problem include not only theoretical knowledge gained by years of study of the problem, both here and abroad; but also practical knowledge of ways and means, as attested by general belief that the establishment of a parcel-post in the United States was due to his analyses more than to the efforts of any other one man; and also by the fact that when the Government in 1918 assumed responsibility for the management of the telephone and telegraph systems of the land, Mr. Lewis was made, and at the time of writing is, the general manager in charge of those systems while under Government control. Certainly, in view of the economies enumerated above as inherent in Government ownership and control of the express companies, on the face of it Mr. Lewis's statement seems extremely reasonable.

## **THE CONSEQUENT REDUCTION IN RATES**

So that, if Mr. Lewis's estimate were accurate, and remembering that the operating expenses of the express companies in 1917 represented one-half of the total charges made by the express companies for transportation, a reduction of 20% in the express rates should accompany the acquisition of the

express companies by the Government, other things being equal. But other things are not equal. Lower rates mean increased business; and in an agency which has developed the field at its disposal so inadequately as have the express companies, each additional unit of business can be handled at a lower cost and hence at a greater profit than each previous unit. This consideration was the primary one advanced by the Interstate Commerce Commission in ordering 16% reduction in the express rates in 1914. So that, the lower amount of profit per parcel being counterbalanced by a greater number of parcels, the economy in a Government postal express should be represented by a lowering of express rates anywhere from 25% to 35% of the present rates.

But up to this point our calculations have assumed that under a Government postal express the railroads would continue to obtain their 50% of the charges on each package transported by express. This method of calculating the return due to the railroad is certainly ingenious in its simplicity and lack of scientific basis, but it is just as certainly unfair to the shipper of parcels by express. Let us consider, for example, two shipments of similar articles under similar conditions—one from New York City to Yonkers, New York, a distance of some 20 miles; the other from New York City to San Francisco, a distance of more than 3,000 miles. In each case, the express companies collect the parcel and deliver it to the railroad in New York City; and collect the parcel from the railroad and deliver it to the consignee, in the first case in Yonkers; and in the second case in San Francisco. In both cases, the services rendered by the express companies are about identical, aside from the different lengths of time during which space and protection in express cars must be afforded. But the services rendered by the railroad companies are far different in the two cases. In the first case, the parcel is carried for less than an hour; in the second place, for some days. Obviously, the share of the railroad in the entire service rendered in transporting the parcels is less in the first case than in the second, but in each case it gets the same share of the total express charge—namely, 50%.

Such a system in its very nature must thwart any attempt to make express rates reflect the value of express service. For, of course, the rates actually fixed endeavor to do justice to both the express companies and the railroads in each case considered above. In the first case, the rate must be high enough so that 50% of it will not be too glaringly little for the express companies to retain for their *relatively* more important and more costly service of collecting a parcel in New

York and delivering it in Yonkers. In the second case, the rate must be high enough so that 50% of it will not be too glaringly little to turn over to the railroad for their *relatively* more important and more costly service of carrying the parcel across the continent. The railroad directors and express company directors cannot be expected to have reached a fair compromise after fighting for their own interests when the contracts were originally made, for, as has been seen, their interests are largely identical. It would seem, then, that only the shipper sending a parcel several hundred miles is charged a fee commensurate with the value of the service rendered him. It would seem that shippers sending parcels shorter distances must be charged too much and that shippers sending parcels longer distances must be charged too little. A glance at parcel post rates proves the validity of this surmise, for parcel post rates are lower than express rates for shorter distances and higher for longer distances. Under the present system of competition between the parcel post and the express companies, the nature of the contracts between the express companies and the railroads compels express rates which unfairly discriminate against the express companies at the shorter distances and unfairly discriminate against the parcel-post at the longer distances.

However, there is no evidence in all this that the express rates as actually levied may not strike a just and equitable average between the rates too low and the rates too high. Let us therefore compare for a moment the railroad costs of the express traffic with the railroad costs of the Postal System. It has been seen that in 1917 the express companies paid the railroads for transporting some 280,000,000 parcels the sum of \$113,535,059. In the fiscal year ending June 30, 1917, the Post Office Department paid railroads and other transportation lines for services in transporting *all postal matter*, including almost 1,120,000,000 parcels, the sum of \$63,358,997. (The basis for remuneration to the railroads for transporting postal matter is the size and the weight of the matter transported.) Of course, it must be remembered that for the postal service the railroads furnished the cars. It must be remembered also that the parcels of the express companies averaged heavier weights and travelled longer average distances than the parcels of the parcel-post. Nevertheless, the enormous discrepancy between the two figures cannot be thus entirely explained away. Some of the discrepancy, and obviously a considerable part of it, can be traced only to an unjustifiably high return paid the railroads by the express companies. (Note 4.)

Moreover, the amount thus obtained by the railroads in 1917 from its express traffic was equivalent to about 3½% of the total railroad revenues, although it represented 50% of the total express revenue. Accordingly, even a radical slashing of express rates, with its resulting beneficial stimulation to the express service of the country, could hardly disturb the well-being of the railroads to any serious extent.

Again, the various functions performed by the express companies as subsidiary to the express business proper are on the whole paralleled by similar functions of the Government or other agencies. Money orders, both domestic and international, are issued by the Post Office Department, and in 1917 were issued to the extent of \$854,963,806 as against \$145,934,982 of the express companies. Telegraph and cable transfers are readily issuable by the telegraph companies themselves. Similarly, the travelers' cheques issued by the express companies could without difficulty and with no less convenience be issued by our large banking institutions performing that service.

It is therefore respectfully submitted that any comprehensive consideration of the express service field in the United States can point only in one direction—toward the consolidation of the express service of the United States with the Postal System of the United States, under the control and management of the Post Office Department.

## **METHODS OF ESTABLISHING A GOVERNMENT POSTAL EXPRESS**

Many studies advocating Government ownership and management of public utilities find it necessary to hitch their program to one definite mode of procedure. In the case of the express service, however, no such necessity exists. Several modes of procedure are open, and if one of them seems preferable, none of them is impossible, inadequate or inefficient. The most desirable method now available of substituting a Government postal express for our express companies would seem to be a legal and constitutional confiscation of their property and rights, with adequate compensation. The adequacy of the compensation would naturally entail much discussion—on the one side would stand those insisting that the Government pay for only the contemporaneous value of the physical property taken over; and on the other side would stand those insisting that the contracts with the railroads, good will, and other intangible assets of the express companies possess true value despite their intangible nature and should accordingly be purchased. Supporting the first group would be the policy of the present Government which, as we shall see, has placed the capital of the express combination temporarily handling the express business of the country at \$30,000,000, or approximately the value of the actual physical property represented by that combination. Supporting the second group is the Interstate Commerce Commission, through its representative, Franklin K. Lane, in its 1912 decision in the matter of the express rates.

A third method presents itself, but its adoption could be considered only as deplorable, even as reprehensible—namely, purchase of the express companies at their paper valuation. As we have seen, the capitalization of the express companies bears no relation to the value of their property, and chiefly represents, not money invested, but profits accumulated. As a matter of fact, the Supreme Court of the United States some years ago decided that capitalized excess profits may not be used as a basis of computing fair rates of dividends upon capital as against the state. Possibly Congress might find it wise to settle the whole problem in any bill providing for Government acquisition by abiding in the judgment of the Interstate Commerce Commission, leaving the Government or the express companies, or both, the right to appeal to the Supreme Court if dissatisfied.

The express service would represent too unimportant and too different an activity from railroad freight service to be

efficiently handled now by the railroads. And mere regulation, as has been seen, affords no solution, for the profits and the equipment represent but an infinitesimal part of the operating expenses.

At this point, the Socialist or the socialist or the person who falls loosely into the category of "radical" or perhaps even the merely "liberal" advocate of the public ownership of public utilities will doubtless exclaim: "But why compensate at all? Isn't it bad enough to have so long permitted a group of entrepreneurs to grow rich by exploiting for their own gain a field which all experience outside the confines of North America proves a field of public endeavor? Why add insult to injury by actually paying them for rendering unto the people the things which belong to the people? Why shall not the Government establish its own express service, as it established the parcel-post, and leave the express companies, so long unchallenged in their activities, to meet Government competition as best they may? If they can meet it, well and good—if they can't, the essentially parasitic nature of their business is proved beyond cavil."

Very good, gentlemen; and if he may be permitted a personal reference, the writer of these lines is in perfect accord with you. The rates of the private express companies under your plan would still be under the control of the Interstate Commerce Commission, and accordingly these private agencies would be unable to compete unfairly with the new Government service by establishing along any of the more popular routes rates far below the cost of the service, in order to cripple the Government service along these routes and hence in its entirety. Moreover, there is every probability that the legislative grant to the Government of a monopoly of the express service of the United States would be upheld by the courts, for a good case could be made out for the essential nature of the express business as a part of the mail business in which the Government has been granted a monopoly. Indeed, monopoly was originally granted the Government mail service to prevent the competition which the Wells-Fargo Company soon after its organization was conducting in the business of carrying letters.

But, gentlemen, what are the chances that a sufficient number of your fellow-countrymen can be brought into accord with you—not merely in their intellectual convictions, but in convictions, intellectual and emotional, so strong that they can be transmuted into a sufficient number of votes in the ballot box to make our lawmakers at Washington give heed—at least in the immediate future? For the problem of the express

companies will come up for adjudication, temporary or long-enduring, within some months, or at least within a year or two. Obviously, the present status of the express companies, as described below, will end soon after the war. And Government ownership of the express service, as has been indicated, is so infinitely more advantageous than private ownership, that if Government ownership can be obtained only by your (and my) method, and if we divide our ranks by refusing to support any other method short of one vicious in both principle and practice, the country may return once more to the private express company method. As has been indicated, the whole problem concerns scarcely ten or twenty millions of dollars in a business whose operations amount to more than two hundred millions; and whatever method be adopted, it can hardly effect a difference of 5% one way or another in express rates. If the question were one similar to the Government ownership of railroads, it would indeed be worth delay to obtain a comprehensively adequate method of taking them over by the Government, for marked differences in rates would then result. But the differences in express rates involved in different methods of purchasing the companies would hardly recompense for the delay involved in the postal service's mastery of a new technique, in its assimilation of details which can be mastered only through experience, in tedious litigation, in political wirepulling and manipulation, and in determination of constitutionality, all of which features will accompany the establishment of a new Government postal express independent of the present express companies.

For, by the time that the dissolution of the American Railway Express Company (see below) will come up for final decision, new equipment and the materials for new equipment will still be scarce, very scarce, and very costly in the United States. It would be unfairly prejudicial to an infant Government postal express service if it were hampered by scarcity or high cost of equipment. Indeed, in the long run, in an industrial situation which for many months after peace will be unsettled as a result of the war, it might even be more economical to purchase the express companies outright. And if once the express service is released to its former owners, the difficulty of prying it loose again will involve far greater loss than the loss in adopting even the least justifiable method of consolidating it in the Postal Service.

## **THE PRESENT STATUS OF EXPRESS COMPANIES**

As the United States more and more radically altered its industrial processes to correlate them with the needs impressed upon the national life by the Great War, the express companies more and more plainly gave evidence of membership in that group of public utilities which could not unaided weather the storm. Not so soon as in the case of the railways, but not any considerable length of time afterwards, Government intervention became the *sine qua non* of a continuation of the express business of the United States on an efficient plane. On May 28, 1918, the United States Railroad Administration made public an arrangement with the express companies by which the express service of the country has since been conducted up to the time of writing. Of that arrangement, the salient features follow:

1. A new express company, known as the American Railway Express Company, was organized by the Adams, American, Southern and Wells-Fargo Express Companies.
2. The new company is capitalized only to the extent of the actual property and cash represented in its formation and activities—namely, \$30,000,000, and capital stock has been issued for that amount and further stock will be sold at par.
3. With the American Railway Express Company the Railroad Administration made a contract for conducting the express business on all carriers included in the Railroad Administration.
4. Under that contract, the Railroad Administration receives  $51\frac{1}{4}\%$  of the operating revenues.
5. The  $49\frac{3}{4}\%$  remaining to the express companies must cover the operating expenses, taxes, profits and a dividend of 5% on the stock of the American Railway Express Company.
6. In any profits remaining, the first 2% is divided equally between the Railroad Administration and the American Railway Express Company; of the next 3%, the former receives two-thirds and the latter one-third; of all further profits, the former receives three-fourths and the latter one-fourth.
7. The amount of the express rates charged and control over the character of service supplied are vested in the Director-General of Railroads.

Subsequent changes in the arrangement of May 28, 1918, have been as follows:



8. In July, 1918, the Interstate Commerce Commission approved an increase of 10% in express rates, all of which was absorbed, however, according to both the Interstate Commerce Commission and the Director General of Railroads, in wage increases effective July 1, 1918.

9. On September 13, 1918, the Director General of Railroads requested of the Interstate Commerce Commission an opinion concerning a contemplated absolute increase in the express rates on each package, irrespective of weight and distance travelled. The proposed increase would be equivalent to possibly 9% on all traffic; but again, according to the Director General of Railroads, it would cover only increased wages. The Commission was asked only if the proposed increase would net the sum needed, and replied on October 22, 1918, in the affirmative. However, the Commission significantly called attention to the possibility of increasing express revenues by lowering the percentage on all express charges received by the railroads.

10. On November 18, 1918, President Wilson issued a proclamation specifically taking, through Secretary of War Baker, possession, control, operation and utilization of the American Railway Express Company, in order to make the Government's control over that agency indisputably clear. The powers assumed by the Government were delegated to the Director General of Railroads to be utilized according to the prior contract made between him and the American Railway Express Company.

11. On January 1, 1919, an increase of about 9% in express rates went into effect, making a total increase since the United States entered the European War of about 19%, this representing the only increase in express rates since the reduction of 16% ordered in 1912 and effective in 1914, and representing also a smaller increase in rates than was found necessary by the railroads in their freight traffic.

## **ADVANTAGES**

The advantages of this arrangement over its predecessor are undeniable. The consolidation of effort, the reduction in the number of separate express agencies, the minimizing of accounting, the simplification of management, the pooling of equipment and facilities,—these administrative reforms should result in a marked decrease in relative operating expenses. The transfer of control from a moneyed group—or rather from three moneyed groups—interested primarily in private profits to a public official seeking only service to the public, this similarly is a definite achievement. The limita-

tion of the capital stock to the actual cash value of the property and the fixing of the dividends on that stock at a nominal rate, these again are as notable gains in the realm of the express service as the profit-sharing arrangement between the Government and the private companies.

### **WAGE INCREASES**

As has been seen, the increases in express rates since the birth of the American Railway Express have been absorbed in wage increases. Now, in a statistical study, the phrase "wage increases" will connote a mere item of expense, but to the wage-worker it will connote happiness. It means more nourishing food; it means more wholesome dwelling conditions; it means more schooling for the children; it means more recreation; it means more medical care and less illness; it means especially less gnawing fear of what the morrow may hold. The example of the Railroad Administration indicates the widespread services in lessening want or even in increasing comforts which Government control brings in its wake—the raising of all wages to that level below which a decent standard of living cannot be maintained and the abolition of artificial and undemocratic special wage privileges of sex or color in favor of equal pay for equal work. A country which hitches its wagon to a world made safe for democracy can ill afford in any of its industrial activities underpaid workers, and least of all in any of its public utilities. If a Government Postal Express should be compelled to devote all its savings over the private express system only to wage increases among the thousands of men and women express employees, instead of being able to devote some or most of them to lowering the rates, the inauguration of a Governmental Postal Express would be still more than justified.

### **INADEQUACIES**

Nevertheless, the advantages of the present system over the old are not sufficient. A large majority of the 25,000,000 persons served by the rural postal delivery are still without express service. There is still little opportunity for the direct transmission of foodstuffs from the producer to the consumer which at the present time presents the most hopeful method of attacking the soaring cost of food. There is still much potential and helpful express business which has not been called into being, and there is accordingly a considerable lowering in the rates which has not yet been effected. There is still no possibility of coordinating postal facilities with

express facilities. There is still no change in the method of remunerating the railroads, and hence in the unscientific and discriminating methods of fixing rates. In a word, if this study may be said to have proved anything, it has proved that the express service belongs to the Post Office Department, not to the Railroad Administration; indeed, one can hardly avoid the deduction that the present war-time express system could have been adopted only from considerations of either temporary political expediency or of transient personal efficiency; or else of inattention to the true nature of the problem presented.

### **THE LARGER ISSUE**

But material gains may not be the summum bonum of the express business. The express service is much more than an important business undertaking, and it is much more even than a valuable agent in quickening the industrial activities of the United States—it is, or rather it can be, one of the most serviceable media for the development of an American culture as that culture expresses itself in the economic processes of the nation. The future of the nation's express service is basically a problem of national morale. In the decades before April 6, 1917, there was no United States esprit, no United States national life, no United States unity. There were only separatist esprits; there was only class life; there was only geographical unity. The war found us an un-integrated miscellany, and our Government a creature strangely and even desirably aloof from the thoughts and aspirations of our daily lives. And now, almost overnight, sacrifice in France and at home has welded us into one people. Shall we remain one, or shall we revert to factions, to factions either at loggerheads with one another, or else indifferent one to the other? Assuredly we shall soon re-degenerate into warring factions unless our still largely inchoate strivings for national unity can discover vehicles to carry them forward. A Government which has become truly a people's Government will long continue in the United States only as it draws unto itself and maintains both the material and the immaterial agencies which dive down to the depths of our national daily existence and bind us together. More powerfully than any other of these forces, our vast public utilities can, as an integral part of the Government, retain our Government as the hub of our universe. And although of all the public utilities the railroads undoubtedly present the most hopeful source of this re-vitalization of our national life, yet a Government express service can also help

in no small degree, both in itself and as a sharer in the entire general urge towards a democratically-socialized state, to preserve and even to invigorate the national morale.

And the future of the express service concerns not only national morale, but also individual morale. Aside from a few serviceable and hitherto usually unappreciated social servants, whether in private or in public bodies, success in America has lain along the lines of private enterprise for private gain. For the first time, a widespread summons for service to the people has been able during the nineteen months of war to supplant in the hearts of our most capable administrators the summons to exploitation of the people. For nineteen months they have subordinated self and enthroned society. Shall we send them back to the limbo of self-aggrandizement or shall we carve out new paths for the development of character in our American citizens? For obviously the decades immediately at hand are to witness also a direct growth of the control of the workers over their industry, whether it be private or public industry. Who can hope to measure the gain in individual morale when a man realizes that his own advancement depends upon the extent to which he can serve others, not upon the extent to which he can serve himself; when such a public utility as the express companies is in the hands of administrators who have turned their attention away from endeavors to derive as high rates as possible from the public to endeavors to charge the public as low a rate as possible? If we hope to keep unnarrowed, and even to broaden, the present fields in which opportunity is given our fellow-citizens to devote their lives primarily to their fellows' service rather than primarily to their own gain, any national activity as socially-necessary and as nationally-significant as the express companies must inevitably revert in ownership to the nation to whose needs it ministers, and the men and women within the machinery of its operation must serve owners who are not a handful of individuals, but the people, all the people who make up America.

## APPENDIX

### EXPRESS CONTRACTS

The contracts made by express companies with railroads usually provide that the railroad must:

1—Furnish facilities for the prompt transportation of express matter, accompanied by express messengers, on passenger and mail trains; in baggage and combination cars; or on special trains made up of express cars only.

2—Turn over to the express company, i. e., give it a monopoly of, all merchandise offered for transportation on passenger trains, except personal baggage, dogs, corpses, etc.

3—Refuse any other express company facilities for the transportation of express matter.

4—Grant the express company, wherever possible, space in railroad stations, without charge where such grant causes no extra expense to the railroad.

5—Grant free transportation to officers and employees of the express company, and for its personal property and supplies.

6—Permit its employees at stations, etc., wherever possible, to be agents also of the express company.

On its side, the express company must:

1—Pay the railroad an agreed percentage (usually about 50%) of the charges levied and collected by the express company for its service of sending matter by express.

2—Throw open its books and tariffs to the scrutiny of the railroad and furnish the railroad whatever additional documents and records may be necessary to determine the correctness of the sums assigned the railroad by the express company.

3—Carry free of charge money and other matter concerned with the business of the railroad.

4—Be responsible for any damage to the expressed goods.

5—Make its charges at least 150% of the freight charge of the railroads for similar merchandise. (The present charges average about 300% of the freight charges.)

6—Furnish, heat, light and man the cars necessary for the transportation of express matter.

## NOTES

NOTE 1—This estimate is based on the following considerations. For the fiscal year ending June 30, 1911, the official report of the Interstate Commerce Commission gives the average charge per shipment of the Adams and the United States Express Companies on August 18, 1909, and December 22, 1909, respectively—namely, \$4.962 and \$4.999, or an average of  $\$4.980\frac{1}{2}$  per shipment in 1909. (Many shipments contain more than one parcel.) By dividing this sum into the known total amount of money collected by the express companies for the express services, we can obtain the total number of shipments for that year.

But with the establishment of the parcel post in 1913 the character of the express business underwent a radical change. The fact that the parcel-post limits its shipments to parcels under a certain weight and under a certain size is one factor of the situation tending to transfer to the parcel-post from the express companies a larger number of smaller packages than of larger packages, and hence to make the average charge per package of the express company in 1917 higher than in 1909. A second factor tending in the same direction is the fact that the parcel-post limits the amount of insurance which may be placed on a valuable package, while the express company has no such limit, thereby keeping with the express company most of the valuable packages on which the high insurance makes a high rate. A third factor tending similarly is the fact that for shorter distances the parcel-post rate is lower on the whole than the express rate, whereas for longer distances the express rate is lower on the whole than the parcel-post rate; and accordingly the express companies' average haul was longer and hence at a higher rate in 1917 than in 1909, although not so much longer as might be expected, as has been shown above. A fourth factor of similar effect is the railroad congestion in 1917, causing the expressage of many heavy shipments which had formerly been dispatched as freight, especially in the latter part of the year.

The chief factor moving in the opposite direction is that of the reduction of 16% in express rates effective in 1914; but there is every evidence that the effect of the first four factors outweighs to a considerable extent the effect of the last. So that we should not go far wrong if we assume that the average charge *per parcel* of the express companies in 1917 was \$.80. This estimate is supported by an investigation of the Interstate Commerce Commission for April, 1917, in which the average charge *per shipment* (often including more than one parcel) was found to be \$.85.

By dividing \$.80 into the total transportation revenues of the express companies in 1917, we get 280,000,000 as the number of parcels carried by them in that year.

The accuracy of this estimate of the number of express parcels may be gauged from an investigation of the Interstate Commerce Commission for the number of parcels carried by express companies during the month of April, 1917. In that month, some 21,100,000 shipments were carried, from which a total of some 250,000,000 *shipments* for the whole year may be deduced. Remembering, however, that the freight congestion of last winter increased toward the end of the year the normal acceleration of the number of shipments dispatched, and remembering also that many *shipments* contain more than one *parcel*, there would seem to be little variation required from our first estimate of 280,000,000 parcels carried by the express companies in 1917.

NOTE 2—Many, if not most, shippers, especially in the smaller cities and towns, are able to transport their parcels to the parcel-post station without additional cost to themselves. The fee collected from them should therefore not cover also the cost of collecting packages from other shippers. This statement holds especially for the person who ships parcels only occasionally, not primarily as a business transaction, and who has little difficulty in taking or sending them to the dispatching station. On the other hand, without the pick-up feature of the express service, vehicles would be necessary to convey larger packages or a great number of smaller packages from other shippers; so that this feature of express service is as necessary for certain shippers as it is unnecessary for others and should hence not be included in the charges levied on the latter. Again, in theory there would seem to be little reason why the cost of collecting the express fee from the consignee on delivery should be distributed among the express fees on packages which are prepaid. This situation obtains in the present practice of the express companies, where the one fee includes all services except those of an especial nature. But in practice the present parcel-post method of charging a separate fee for collecting on delivery will have to be radically simplified and cheapened if a Government postal express is to follow this separate fee arrangement. For in 1917 less than 1% of the parcels sent by the parcel-post were dispatched C. O. D. The question is one of administrative efficiency, and in practice the present one-fee-for-normal services system of the express companies might prove more desirable than the theoretically more desirable separate C. O. D. fee of the present parcel-post.

In other countries, practices in this respect vary. In Austria, Italy, Rumania and Switzerland, a special fee is charged for collecting on delivery. Belgium renders this service free for packages upon which the postage is above ten cents and Denmark, when the weight of the package is above ten pounds. Germany collects free upon packages above ten pounds and renders the service at a fee upon packages under that amount.

NOTE 3—The possibility of economy in a postal express as contrasted with the express companies may be readily understood by a glance at the following table of the equipment required and utilized in 1917 by the express companies of the United States:

Cars .....	256
Horses .....	19,986
Automobiles .....	2,886
Wagons .....	14,907
Sleighs and Buggies.....	3,563
Trucks .....	56,924

In 1917 there were about 1,800 railway postal cars in operation. These are furnished the Post Office Department by the railroads. As has been said, other corresponding equipment used by the Post Office Department is usually owned by private contractors who furnish transportation by wagon and by automobiles on contract, so that it is impossible to get accurate figures concerning it. Some idea of the equipment needed, however, may be gleaned from the postal operations within the cities of Chicago, Pittsburgh, Philadelphia, Detroit, Washington, St. Louis, Indianapolis and Nashville. In these cities all the transportation of mail between the railroad stations and the post offices as well as in the collection and delivery services is performed by automobiles owned by the Post Office Department itself. The number of automobiles required for the service in these cities

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